

Louisiana Property and Casualty
Insurance Commission
Louisiana Department of Insurance
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Louisiana Property and Casualty
Insurance Commission
Monthly Report
Online at www.lds.state.la.us

Volume 6- Issue 4 -April 2006

Commisssoner Donelon Says Standard & Poor’s A- Rating of
Citizens Corp. Bonds Positive for Louisiana

One of the world’s top providers of credit ratings has given the Louisiana Citizens Property Insurance Corporation (Citizens) bond issue an A-minus rating, signifying the success of recent meetings held with bond rating agencies and Citizens representatives, led by Commissioner of Insurance Jim Donelon.

Citizens officials asked Commissioner Donelon to participate in the series of seven meetings March 8-10 in New York, citing his involvement as vital in helping the state secure the lowest possible rates and cost for the bonds that will be bought by the bonding agencies. Citizens is issuing the bonds to pay \$825 million in policyholder claims resulting from the two hurricanes.

Commissioner Donelon says the Standard & Poor’s A-minus rating is significant because it demonstrates the underlying strength of the Citizens Corporation. “This favorable rating is good news and a positive for Citizens and the state of Louisiana,” says Donelon. “The better the rating, the lower the interest rate will be on the bond issue.”

Citizens, Louisiana’s third largest provider of property insurance, was created by the Legislature in 2003 to oversee the state’s high risk property insurance pools and markets of last resort, the FAIR and Coastal Plans. As a result of Hurricanes Katrina and Rita, the Corporation’s reserves were wiped out when the FAIR Plan incurred hurricane losses of \$1.07 billion.

Also recognizing the importance of the meetings were Governor Kathleen Blanco and Citizens Governing Board member, State Treasurer John Kennedy, both of whom participated in a conference call with the rating agencies during the early March meetings at the request of Commissioner Donelon.

“Our state officials recognize the importance of this financing in providing sufficient funds to pay policyholder claims as expeditiously as possible. So together, Governor Blanco, Treasurer Kennedy and I all helped show the nation’s top credit review agencies that Louisiana is serious about helping its policyholders recover from the hurricanes as quickly as possible,” Commissioner Donelon adds.

The Commissioner says the bonds are expected to be sold on April 4.¹

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- ◆ *The Monthly Report* is the newsletter of the Louisiana Property and Casualty Insurance Commission, Louisiana Department of Insurance, 1702 N. 3rd Street, 3rd Floor, P.O. Box 94214, Baton Rouge, LA 70804-9214 225-342-7187 (PH) 225-342-6057 (FX)

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LA Property & Casualty Insurance Commission Staff

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- ◆ The Louisiana Property and Casualty Insurance Commission was created by the enactment of R.S. 22:15 in the 2001Regular Session of the Louisiana Legislature to review and examine the availability and affordability of property and casualty insurance in the state of Louisiana. The commission will also undertake a comprehensive study and provide oversight and enforcement recommendations of the effectiveness of law enforcement and implementation of programs aimed at enforcement throughout the state of those laws and programs which affect property and casualty insurance rates.

This public document is published at a total cost of \$374.20. 300 copies of this public document were published in this first printing at a cost of \$14.20. The total cost of all printings of this document including reprints is \$374.20. This document was published by the Department of Insurance, P.O. Box 94214, Baton Rouge, LA 70804-9214, to provide information and analysis of property and casualty insurance under special exception by the Division of Administration. This material was printed in accordance with standards for printing by State Agencies established pursuant to R.S. 43:31.

Louisiana Property & Casualty Insurance Commission

Holds Meetings

The Louisiana Property and Casualty Insurance Commission (LPCIC) held two meetings recently to discuss important storm-related topics and legislative recommendations suggested by the Louisiana Highway Safety Commission.

In a February meeting held at the Capitol, Mr. Kevin Cole, an attorney with Gallo-way, Johnson and general counsel of the Louisiana Surplus Lines Association, discussed some of the issues that supplemental flood insurance is currently experiencing in the state of Louisiana. The past storm season has produced a very tight, to almost non-existent, market at this moment for excess flood insurance in all of the parishes affected by Katrina. Mr. Cole stated that it has been reported that the homeowner’s market lost 25 years of premi-ums, investments and income as a consequence of a single storm season. In order to resolve and re-evaluate this hard market, we must provide reasonable security of the insurer’s investments through physical improvement of the levee systems, rehabilitation plans and legislative stability.

Mr. Mike Barron, an attorney with the Office of Legal Affairs with the Louisiana Highway Safety Commission (LHSC), presented the legislative recommendations of the LHSC to the Commission. These recommendations are suggested as ideas that could lead to better highway safety and indirectly lower insurance rates. The list included the follow-ing:

1. Create a Driver Responsibility Point System.
2. Prohibit cell phone usage by those under 18 while driving.
3. Ban radar detectors.
4. Motorcycle driver’s license endorsement.
5. Prohibit those under 21 from being present in Class A drinking establishments.
6. Require all occupants to wear seat belts.
7. Delete and rescind the current mandatory ignition interlock restricted driver’s license.
8. Create a definition of “Aggressive Driving.”
9. Implement the NTSB recommendation for minimum vehicular standards for transport of minors.

10. Prohibit drivers under the age of 18, with a learner’s or intermediate license from transporting more than 2 non-family members.
11. Create authority to enable municipalities or parishes to enforce traffic laws by using photographic equipment.
12. Double the fine for speeding in construction or school zones.
13. Eliminate early driver’s license reinstatement related to DWI charges.
14. Provide a licensing board and standards relating to licensure of motor vehicle glass repair technicians.
15. Deny eligibility for pre-trial diversion programs to anyone charged with DWI within the last 10 years.
16. Raise fines for seat belt violations.
17. License claim adjusters.

At the March meeting of the LPCIC at the Department of Insurance, the legislative recommendations were reviewed and presented for a final vote. It was reported by Mr. Barron that numbers 1, 4, 8 and 15 had been withdrawn from the recommendations. Voting by the Commission resulted in the following: Numbers 3, 5, 6, 11, 12, and 16 were rec-ommended. Numbers 2, 7, 9, 10, 13, and 14 were not recommended, with number 17 being deferred. Commission members were asked to review the current property and casualty insurance bills for this legislative session and submit any recommendations deemed necessary at the next meeting of the Commission.

Company updates following Hurricanes Katrina and Rita were given by Ms. Lorrie Brouse, representing Allstate Insurance, and Mr. Rodney Braxton, representing State Farm. Due to a scheduling conflict, the Louisiana Citizens Property Insurance Corporation’s representative was unable to attend the meeting, but will report to the Commission at a future meeting.

Ms. Brouse reported that as a result of these storms there were 96,160 claims filed for Hurricane Katrina, and 31,114 claims filed for Hurricane Rita. Both storms have an 83 percent rate of claims closed and settled. Allstate is monitoring inquires, addressing them immediately, settling claims and accommodating current policyholders that were affected by the storm. The company is researching the best possible balance of keeping their cur-rent customers, and responding appropriately to the catastrophic management issues.

The report submitted by Mr. Braxton for State Farm showed there were 177,055 claims for Katrina, and 42,765 claims for Rita. He stated the percentage rate for closed/inspected claims stood at 94.84 percent for Katrina, and 96.49 percent for Rita. State Farm is accommodating its current policyholders, and Mr. Braxton believes the company will continue to maintain its current market share, which represents approximately a 36 to 40 percent share in the state.

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Louisiana Property and Casualty Insurance Commission Members		
Commissioner Jim Donelon		Tom O’Neal
Jeff Albright		Theodore “Ted” Haik, Jr
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Terry Lisotta	Earl Taylor	Richard Clements
H. “Marc” Carter	Kay Hodges	Chad Brown
Senator James David Cain	Richard L. Stalder	Lorrie Brouse